

September 30, 1998

Mr. William Pinder, President
Sea Island Comprehensive Health Care Corporation
d/b/a Hermina Traeye Memorial Nursing Home
Post Office Box 689
Johns Island, South Carolina 29457

Re: AC# 3-HER-J3 – Sea Island Comprehensive Health Care Corporation
d/b/a Hermina Traeye Memorial Nursing Home

Dear Mr. Pinder:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1992 through September 30, 1993. That report was used to set the rate covering the contract periods beginning October 1, 1994.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll
Ms. Beverly Hoffman

**SEA ISLAND COMPREHENSIVE
HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL
NURSING HOME**

JOHNS ISLAND, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1994
AC# 3-HER-J3**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 31, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Sea Island Comprehensive Health Care Corporation d/b/a Hermina Traeye Memorial Nursing Home, for the contract periods beginning October 1, 1994 and for the twelve month cost report period ended September 30, 1993, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Sea Island Comprehensive Health Care Corporation d/b/a Hermina Traeye Memorial Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Sea Island Comprehensive Health Care Corporation d/b/a Hermina Traeye Memorial Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 31, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

**SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME**

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1994
AC# 3-HER-J3

	10/01/94- <u>06/01/95</u>	06/02/95- <u>09/30/95</u>
Interim reimbursement rate (1)	\$64.09	\$64.55
Adjusted reimbursement rate	<u>62.73</u>	<u>63.19</u>
Decrease in reimbursement rate	\$ <u>1.36</u>	\$ <u>1.36</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1994 Through June 1, 1995
 AC# 3-HER-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.28	\$25.78	\$32.50	\$25.78
Dietary	<u>.61</u>	<u>6.32</u>	<u>8.77</u>	<u>6.32</u>
Subtotal	<u>\$2.89</u>	32.10	41.27	32.10
Laundry/Housekeeping/Maint.	\$ -	7.68	6.74	6.74
Administration & Med. Rec.	<u>-</u>	<u>9.48</u>	<u>7.35</u>	<u>7.35</u>
Subtotal	<u>\$ -</u>	49.26	<u>\$55.36</u>	46.19
<u>Costs Not Subject to Standards:</u>				
Utilities		3.75		3.75
Special Services		-		-
Medical Supplies & Oxy.		1.14		1.14
Taxes and Insurance		.76		.76
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$54.91</u>		51.84
Inflation Factor (4.50%)				2.33
Cost of Capital				6.51
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				2.89
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(1.39)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$62.73</u>

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period June 2, 1995 Through September 30, 1995
 AC# 3-HER-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.28	\$25.78	\$32.50	\$25.78
Dietary	<u>.61</u>	<u>6.32</u>	<u>8.77</u>	<u>6.32</u>
Subtotal	<u>\$2.89</u>	32.10	41.27	32.10
Laundry/Housekeeping/Maint.	\$ -	7.68	6.74	6.74
Administration & Med. Rec.	<u>-</u>	<u>9.48</u>	<u>7.35</u>	<u>7.35</u>
Subtotal	<u>\$ -</u>	49.26	<u>\$55.36</u>	46.19
<u>Costs Not Subject to Standards:</u>				
Utilities		3.75		3.75
Special Services		-		-
Medical Supplies & Oxy.		1.14		1.14
Taxes and Insurance		.76		.76
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$54.91</u>		51.84
Inflation Factor (4.50%)				2.33
Cost of Capital				6.97
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				2.89
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(1.39)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$63.19</u>

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1993
 For the Contract Periods October 1, 1994 Through June 1, 1995
 AC# 3-HER-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 815,734	\$ -	\$ -	\$ 815,734
Dietary	199,856	-	-	199,856
Laundry	69,632	-	-	69,632
Housekeeping	84,597	-	-	84,597
Maintenance	88,936	-	-	88,936
Administration & Medical Records	300,055	-	-	300,055
Utilities	118,699	-	-	118,699
Special Services	-	-	-	-
Medical Supplies & Oxygen	36,205	-	-	36,205
Taxes & Insurance	65,280	-	41,355 (1)	23,925
Legal Fees	-	-	-	-
Cost of Capital	<u>206,100</u>	<u>-</u>	<u>-</u>	<u>206,100</u>
Subtotal	1,985,094	-	41,355	1,943,739

**SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Periods October 1, 1994 Through June 1, 1995
AC# 3-HER-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	-	-	-
Non-Allowable	<u>(23,385)</u>	<u>41,355</u> (1)	<u>-</u>	<u>17,970</u>
Total Operating Expenses	<u>\$1,961,709</u>	<u>\$41,355</u>	<u>\$41,355</u>	<u>\$1,961,709</u>

TOTAL BEDS 88

TOTAL PATIENT DAYS 31,642

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1993
 For the Contract Period June 2, 1995 Through September 30, 1995
 AC# 3-HER-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 815,734	\$ -	\$ -	\$ 815,734
Dietary	199,856	-	-	199,856
Laundry	69,632	-	-	69,632
Housekeeping	84,597	-	-	84,597
Maintenance	88,936	-	-	88,936
Administration & Medical Records	300,055	-	-	300,055
Utilities	118,699	-	-	118,699
Special Services	-	-	-	-
Medical Supplies & Oxygen	36,205	-	-	36,205
Taxes & Insurance	65,280	-	41,355 (1)	23,925
Legal Fees	-	-	-	-
Cost of Capital	<u>220,545</u>	<u>-</u>	<u>-</u>	<u>220,545</u>
Subtotal	1,999,539	-	41,355	1,958,184

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Period June 2, 1995 Through September 30, 1995
AC# 3-HER-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u> <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	-	- -	-
Non-Allowable	<u>(7,541)</u>	<u>41,355</u> (1) -	<u>33,814</u>
Total Operating Expenses	<u>\$1,991,998</u>	<u>\$41,355</u> <u>\$41,355</u>	<u>\$1,991,998</u>
TOTAL BEDS <u>88</u>		TOTAL PATIENT DAYS <u>31,642</u>	

**SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME**

Adjustment Report
Cost Report Period Ended September 30, 1993
AC# 3-HER-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$41,355	
	Taxes, Licenses and Insurance		\$41,355
	To remove bed tax from allowable expense		
	State Plan, Attachment 4.19D	_____	_____
	TOTAL ADJUSTMENTS	<u>\$41,355</u>	<u>\$41,355</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1993
 For the Contract Periods October 1, 1994 Through June 1, 1995
 AC# 3-HER-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>88</u>
Deemed Asset Value	2,608,672
Improvements Since 1981	109,083
Accumulated Depreciation at 9/30/93	<u>(896,024)</u>
Deemed Depreciated Value	1,821,731
Market Rate of Return	<u>.075</u>
Total Annual Return	136,630
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	136,630
Depreciation Expense	69,473
Amortization Expense	-
Capital Related Income Offsets	(3)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	206,100
Total Patient Days (Actual)	<u>31,642</u>
Cost of Capital Per Diem	\$ <u><u>6.51</u></u>

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1993
For the Contract Periods October 1, 1994 Through June 1, 1995
AC# 3-HER-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.65
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	<u>\$9.48</u>
Weighted Average Reimbursable Cost of Capital Per Diem	\$6.51
Weighted Average Cost of Capital Per Diem	<u>6.51</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1993
 For the Contract Periods June 2, 1995 Through September 30, 1995
 AC# 3-HER-J3

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.8981</u>	<u>1.8981</u>	
Deemed Asset Value (Per Bed)	29,644	29,644	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	2,608,672	1,304,336	
Improvements Since 1981	109,083	-	
Accumulated Depreciation at 9/30/93	<u>(896,024)</u>	<u>(28,623)</u>	
Deemed Depreciated Value	1,821,731	1,275,713	
Market Rate of Return	<u>0.075</u>	<u>0.075</u>	
Total Annual Return	136,630	95,678	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	136,630	95,678	
Depreciation Expense	69,473	28,623	
Amortization Expense	-	-	
Capital Related Income Offsets	(3)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	206,100	124,301	\$330,401
Total Patient Days (Actual)	<u>31,642</u>	<u>15,739</u>	<u>47,381</u>
Cost of Capital Per Diem	\$ <u>6.51</u>	\$ <u>7.90</u>	\$ <u>6.97</u>

Cost of Capital Expense = \$6.97 x 31,642 days = \$220,545

SEA ISLAND COMPREHENSIVE HEALTH CARE CORPORATION
D/B/A HERMINA TRAEYE MEMORIAL NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1993
 For the Contract Periods June 2, 1995 Through September 30, 1995
 AC# 3-HER-J3

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.65	\$ N/A
Adjustment for Maximum Increase	<u>3.83</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>9.48</u>	\$ <u>7.90</u>
Weighted Average Reimbursable Cost of Capital Per Diem *		\$8.95
Weighted Average Cost of Capital Per Diem		<u>6.97</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

* $[(31,642 \times 9.48) + 124,301] / 47,381 = \8.95